

FAMILY SUPPORT CENTER OF SOUTHWEST UTAH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

Table of Contents

Independent Auditors' Report.....	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Cash Flows	5
Notes to the Financial Statements	7
Supplementary Schedules:	
Statement of Functional Expenses	12
Federal and State Reports:	
Independent Auditors' Report on Internal Control Over Financial Reporting, Compliance, and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	13
Report On State Legal Compliance.....	15
Findings and Recommendations.....	17



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

Independent Auditors' Report

To the Board of Trustees
Family Support Center of Southwest Utah
163 North 300 West
Cedar City, Utah 84720

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying statement of financial position of Family Support Center of Southwest Utah (a nonprofit organization) as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Family Support Center of Southwest Utah's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Support Center of Southwest Utah as of June 30, 2006, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2006 on our consideration of Family Support Center of Southwest Utah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the statements of financial position, activities and cash flows. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the audited financial statements of Family Support Center of Southwest Utah. The totals in the schedule of functional expenses were subjected to the auditing procedures applied in the audit, but the allocation between programs was not audited.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
December 12, 2006

Family Support Center of Southwest Utah
Statement of Financial Position
June 30, 2006

Assets

Current assets:

Cash and cash equivalents	\$ 23,715
Accounts receivable	19,307
Employee Loan	<u>105</u>
Total current assets	<u>43,127</u>

Fixed assets:

Property, plant, & equipment	191,603
Land	41,652
Accumulated depreciation	<u>(48,196)</u>
Total fixed assets	<u>185,059</u>

Total assets	<u>\$ 228,186</u>
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Liabilities and net assets

Current liabilities:

Accounts payable	\$ 150
Payroll taxes payable	3,179
Current portion of long term debt	<u>6,249</u>
Total current liabilities	<u>9,578</u>

Long Term liabilities:

Notes payable	<u>154,797</u>
Total long term liabilities	<u>154,797</u>

Total liabilities	164,375
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Net assets:

Unrestricted	44,504
Temporarily restricted	19,307
Permanently restricted	<u>-</u>

Total net assets	<u>63,811</u>
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Total liabilities and net assets	<u>\$ 228,186</u>
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The accompanying notes are an integral part of the financial statements.

Family Support Center of Southwest Utah
Statement of Activities
For the Year Ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Client fees	\$ 3,454	\$ -	\$ -	\$ 3,454
Donations in kind	12,817	-	-	12,817
Fundraising	5,410	-	-	5,410
Grants	338,755	19,307	-	358,062
Interest income	444	-	-	444
Miscellaneous	3,403	-	-	3,403
Sales tax refunds	1,879	-	-	1,879
Shelter care	13,373	-	-	13,373
Net assets released from restrictions:				
Satisfaction of program restrictions	10,276	(10,276)	-	-
Total revenues, gains, and other support	<u>389,811</u>	<u>9,031</u>	<u>-</u>	<u>398,842</u>
Expenses and losses:				
Program 1 - crisis	284,729	-	-	284,729
Program 2 - shelter	38,863	-	-	38,863
Management and general	34,816	-	-	34,816
Total expenses	<u>358,408</u>	<u>-</u>	<u>-</u>	<u>358,408</u>
Total expenses and losses	<u>358,408</u>	<u>-</u>	<u>-</u>	<u>358,408</u>
Change in net assets	31,403	9,031	-	40,434
Net assets at beginning of period	<u>13,101</u>	<u>10,276</u>	<u>-</u>	<u>23,377</u>
Net assets at end of period	<u>\$ 44,504</u>	<u>\$ 19,307</u>	<u>\$ -</u>	<u>\$ 63,811</u>

The accompanying notes are an integral part of the financial statements.

Family Support Center of Southwest Utah
Statement of Cash Flows
For the Year Ended June 30, 2006

Cash flows from operating activities:

Cash received from shelter care	\$ 13,373
Cash received from fundraising	5,410
Cash received from client charges	3,454
Cash received from grants	351,570
Cash received from other	5,282
Cash paid to suppliers	(130,550)
Cash paid to employees	<u>(255,888)</u>

Net cash flows from operating activities	<u>(7,349)</u>
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Cash flows from investing activities:

Cash received from interest income	<u>444</u>
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Net cash flows from investing activities	<u>444</u>
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Cash flows from financing activities

Payments on long-term debt	<u>(5,927)</u>
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Net cash flows from financing activities	<u>(5,927)</u>
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Net change in cash and cash equivalents	(12,832)
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Cash and cash equivalents, beginning of year	<u>36,547</u>
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Cash and cash equivalents, end of year	<u>\$ 23,715</u>
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The accompanying notes are an integral part of the financial statements.

**Family Support Center of Southwest Utah
Statement of Cash Flows - Continued
For the Year Ended June 30, 2006**

Reconciliation of change in net assets to net cash

flows from operating activities:

Change in net assets	\$ 40,434
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation/amortization	6,626
Investment interest	(444)
Changes in operating assets and liabilities:	
(Increase)/Decrease in accounts receivable	(19,307)
Increase/(Decrease) in accounts payable	(34,605)
Increase/(Decrease) in payroll taxes payable	(53)

Net cash flows from operating activities	<u>\$ (7,349)</u>
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Supplemental schedule of non-cash investing and financing transactions:

Donations-in-kind received	\$ 12,817
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Supplemental schedule of payments for interest:

Interest paid during 2006:	\$ 6,405
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The accompanying notes are an integral part of the financial statements.

Family Support Center of Southwest Utah
Notes to the Financial Statements
June 30, 2006

Note 1. Significant Accounting Policies

General

This summary of significant accounting policies of Family Support Center of Southwest Utah is presented to assist in understanding the Center's financial statements. The financial statements and notes are representations of the Center's management, which is responsible for their integrity and objectivity. The accounting principles conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

The accompanying financial statements of Family Support Center of Southwest Utah have been prepared on the accrual basis of accounting. Contributions are recorded when received unless susceptible to accrual.

Family Support Center of Southwest Utah was organized and incorporated in 1989 as an exempt organization for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has indicated that Family Support Center of Southwest Utah is not a private foundation.

Description of Program

Family Support Center of Southwest Utah is working to promote the welfare of abused children and assist them and their parents by providing temporary shelter, care, food, and rehabilitative counseling to raise standards of their home life. The Family Support Center of Southwest Utah works with local law enforcement agencies and existing social agencies to carry out their mission.

Reporting Entity

For financial reporting purposes, the Family Support Center of Southwest Utah has included the activity of all funds. On October 1, 1996 the St. George center obtained independent status and approval from the IRS to be treated as a separate 501(c) (3) corporation. As such these financial statements are strictly limited to the Cedar City and Richfield, Utah activities. Activities of the St. George center are not included in these financial statements.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. As restrictions are met, these revenues become unrestricted and are then allowed to be expended.

Family Support Center of Southwest Utah
Notes to the Financial Statements
June 30, 2006

Note 1. Significant Accounting Policies, Continued

Contributed Services

Family Support Center of Southwestern Utah does not normally recognize in the financial statements any support, revenue or expense, from services contributed by volunteers.

When in-kind support, revenue or expense is recorded, it is determined based on the amount an individual would have received or paid in the normal course of business.

Fund-raising

The Family Support Center of Southwestern Utah conducts limited fundraising events due to the confidential nature of their work. During the 2005-2006 fiscal year fundraising income was \$5,410.

Employees

Family Support Center of Southwest Utah employed approximately 20 full-time and part-time employees as of the end of 2006. Salaries and wages are allocated to the various programs, to management and general, and to fund-raising, based on an analysis of the salaries and wages paid to employees in each function. The allocation of salaries, employee benefits, and other payroll costs during 2005-2006 is disclosed on the supplementary schedule of "Statement of Functional Expenses".

Income Taxes

Family Support Center of Southwest Utah has received exemption from income taxes under Section 501(c) (3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of a \$19,307 receivable from the State of Utah for contract services.

Family Support Center of Southwest Utah
Notes to the Financial Statements
June 30, 2006

Note 2. Cash and Cash Equivalents

Family Support Center of Southwest Utah cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

Cash on Hand	\$ 375
Cash in Bank	<u>23,340</u>
Total	<u>\$ 23,715</u>

Cash in bank is insured by FDIC up to \$100,000 per financial institution. Family Support Center of Southwest Utah has accounts at one financial institution. On June 30, 2006, Family Support Center of Southwest Utah total insured amount was \$23,340

Note 3. Fixed Assets

Expenditures for physical properties are stated at cost. Donated assets are recorded at their estimated fair market values at the date of donation. Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong life, are charged to expense as incurred. Major renewals and betterments are capitalized. Gains and losses on dispositions of property and equipment are included in revenue in the year of disposition.

Depreciation of physical properties is calculated on the straight-line methods over the following estimated useful lives:

Buildings & Improvements	39 years
Furniture, fixtures and equipment	3-5 years
Leasehold Improvements	3 years

Family Support Center of Southwest Utah
Notes to the Financial Statements
June 30, 2006

Note 3. Fixed Assets, Continued

Changes in fixed assets for 2006 are as follows:

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/06</u>
Buildings	\$ 155,896	\$ -	\$ -	\$ 155,896
Furniture & Fixtures	34,808	-	-	34,808
Leasehold Improvements	899	-	-	899
Land	41,652	-	-	41,652
 Total	 233,255	 -	 -	 233,255
 Less accumulated depreciation	 (41,570)	 (6,626)	 -	 (48,196)
	<u>\$ 191,685</u>	<u>\$ (6,626)</u>	<u>\$ -</u>	<u>\$ 185,059</u>

Note 4. Long Term Debt

The following is a summary of long-term debt for the year ended June 30, 2006.

	<u>June 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2006</u>
Utah State Division of Finance	158,129	-	3,477	154,652
Donna Williamson	8,844	-	2,450	6,394
 Total Notes Payable	 <u>166,973</u>	 <u>-</u>	 <u>5,927</u>	 <u>161,046</u>

Family Support Center of Southwest Utah
Notes to the Financial Statements
June 30, 2006

Note 4. Long Term Debt, Continued

Long-term debt consists of the following:

	<u>Current Portion</u>	<u>Non-Current Portion</u>	<u>Total</u>
4.00% note to the Utah State Division of Finance (Olene Walker Trust Fund), secured by land and building. Payable in monthly installments of \$812. Maturing September 2031.	\$ 3,619	\$ 151,033	\$ 154,652
7.115% Note to Donna Williamson. Secured by land and building. Payable in monthly installments of \$250. Maturing October 2008.	<u>2,630</u>	<u>3,764</u>	<u>6,394</u>
Total Notes Payable	<u>\$ 6,249</u>	<u>\$ 154,797</u>	<u>\$ 161,046</u>

The annual requirements to pay all long-term debt are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 6,249	\$ 6,490
2008	6,590	6,150
2009	4,861	5,833
2010	4,080	5,660
2011	4,246	5,493
2012-2016	23,970	24,727
2017-2021	29,267	19,429
2022-2026	35,735	12,962
2027-2031	43,632	5,064
2032-2036	<u>2,416</u>	<u>16</u>
	<u>\$ 161,046</u>	<u>\$ 91,824</u>

SUPPLEMENTARY SCHEDULE

Family Support Center of Southwest Utah
Statement of Functional Expenses
For the Year Ended June 30, 2006

EXPENSE CATEGORY	PROGRAM 1 CRISIS	PROGRAM 2 SHELTER	MANAGEMENT & GENERAL	TOTAL
Auto and travel	\$ 6,052	\$ -	\$ -	6,052
Conference and meetings	2,510	-	-	2,510
Depreciation	4,638	1,325	663	6,626
Dues and subscriptions	28	-	-	28
Employee benefits	4,858	607	607	6,073
Fundraising	127	-	-	127
Insurance	6,431	804	804	8,039
Interest	5,124	641	641	6,405
Legal and professional fees	-	-	4,501	4,501
Licenses and permits	225	-	-	225
Mailing and shipping	-	-	508	508
Miscellaneous	1,548	-	-	1,548
Office Supplies	696	139	557	1,392
Payroll expenses	150,718	18,840	18,840	188,398
Payroll taxes	49,134	6,142	6,142	61,417
Program expense	16,095	4,024	-	20,119
Program supplies	16,014	4,004	-	20,018
Repairs and maintenance	3,138	784	-	3,922
Sales taxes	1,072	-	-	1,072
Security system	890	-	-	890
Telephone	5,869	734	734	7,336
Training	3,012	-	-	3,012
Utilities	6,550	819	819	8,188
TOTAL	\$ 284,729	\$ 38,863	\$ 34,816	\$ 358,408



**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

The To the Board of Trustees
Family Support Center of Southwest Utah
Cedar City, Utah

We have audited the financial statements of Family Support Center of Southwest Utah (a non-profit organization), as of and for the year ended June 30, 2006 and have issued our report thereon dated December 12, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Family Support Center of Southwest Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Family Support Center of Southwest Utah's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements

A material weakness is a reportable condition in which the design or operations of one or more of the internal control components does not reduce to a relative low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and other Matters

As part of obtaining reasonable assurance about whether Family Support Center of Southwest Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the board of trustees, management, and various federal and state agencies. However, this report is a matter of public record and its distribution is not limited.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC

December 12, 2006



HINTON BURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

Independent Auditors' Report on State Legal Compliance

To the Board of Trustees
Family Support Center of Southwest Utah
Cedar City, Utah

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the financial statements of Family Support Center of Southwest Utah, a nonprofit corporation, (the Organization) for the year ended June 30, 2006, and have issued our report thereon dated December 12, 2006. As part of our audit, we have audited the Organization's compliance with the requirements of the provider contract determined to be a major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Organization received the following major State assistance program from the State of Utah.

Department of Human Services (Family Violence Prevention and Service Grant)

The Organization also received the following nonmajor grants which are not required to be audited for specific compliance requirements. (However, these programs were subject to test work as part of the audit of the Organization's financial statements.)

In Home Contract

The management of the Organization is responsible for the Organization's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements. We believe our audit provides a reasonable basis for our opinion.

The result of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Organization, complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2006.

Hinton, Burdick, Hall & Spilker, PLLC
HINTON, BURDICK, HALL & SPILKER, PLLC
December 12, 2006

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HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

Findings and Recommendations

To the Board of Trustees
Family Support Center of Southwest Utah
Cedar City, Utah

Ladies and Gentlemen:

During our audit of the financial statements of Family Support Center of Southwest Utah (the Organization) for the year ended June 30, 2006, we noted circumstances that, if improved, would strengthen the Organization's accounting system and control over its assets. These items are discussed below for your consideration.

05-1. Segregation of Duties

Finding

Because of the small administrative staff, the Organization lacks a complete segregation of duties; however, controls have been implemented to mitigate this weakness such that it is not deemed to be a material weakness. We choose to continue to mention proper segregation in order to remind management of its importance until such time as the Organization has the need for additional staff and can fully segregate custody of assets and recording functions. For example, the individual preparing the bank reconciliations and those who have access to the accounting system should be segregated from handling cash disbursements and cash receipts. Proper segregation of duties provides important safeguards and controls to ensure the proper accounting, deposit and disposition of the Organization's funds.

Recommendation

We recommend that the Organization consider ways that segregation of duties can be achieved within its accounting and administrative functions, especially as the Organization continues to grow and additional staff are considered necessary. We would be happy to assist the Organization in the design and/or implementation of job descriptions and duties to properly achieve this segregation.

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
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www.hintonburdick.com

It has been a pleasure to be of service to the Organization during this year's audit. We would like to express our special thanks to each of you who assisted us so efficiently during the audit. We commend the Organization and its management in its efforts to provide accurate accounting data. We invite you to ask questions of us concerning the above comments and also throughout the year as you feel necessary. We look forward to a continued, pleasant, professional relationship.

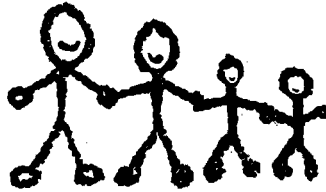
Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
December 12, 2006

the family Support Center of Southwestern Utah

CHILDREN'S CRISIS AND RESPITE CARE NURSERY

102 NORTH 200 EAST
CEDAR CITY, UTAH 84720
(435) 586-0791
(435) 586-3510 FAX



58 EAST 300 NORTH
RICHFIELD, UTAH 84701
(435) 896-4798
(435) 896-8796 FAX

April 23, 2007

Kent Godfrey
State of Utah
Office of the State Auditor
P.O. Box 142310
Salt Lake City, Utah 84114-2310

Dear Mr. Godfrey;

I am writing on behalf of the Family Support Center of Southwestern Utah in regards to the attached letter received by your office earlier today. I would like to apologize for not having the response to the auditors findings submitted as required. I have restated the concern as stated by the auditor and outlined our response below:

Recommendation

"We recommend that the Organization consider ways that segregation of duties can be achieved within its accounting and administrative functions, especially as the Organization continues to grow and additional staff are considered necessary."

Response

1. We have made arrangements with the Robert Cox, CPA of Hinton Burdick, CPA's to help design a plan that would assist us in separating the accounting and administrative functions.
2. We have already begun implementing suggestions made by Mr. Cox:
 - a) The bookkeeper is no longer an authorized signer on the two signature account.
 - b) We are taking steps to add the Board President, Nadine Hansen, as an additional signer to the account (this should be completed by our May 1st Board meeting).
 - c) Each signer is required to review the bank statements and initial that their signatures on the photocopies of the deposited checks are accurate.
 - d) Any incoming check or deposit is logged into a notebook by a secondary party before being passed on to the bookkeeper for deposit. Receipts are given for cash donations and a copy of these receipts are kept in a secured location.

"protecting children and strengthening families"

Again, I apologize for not initially having this letter as an attachment to the audit as required. Please contact me if more information is needed or if this response does not adequately meet your requirements.

Respectfully,

A handwritten signature in cursive script, reading "Shandra A. Powell".

Shandra A. Powell, MFHD
Executive Director

cc: Robert Cox, Hinton, Burdick, Hall & Spilker, CPA's
Nadine Hansen, President, Board of Director's

attachment